

**REPORT ON EXAMINATION AS TO THE CONDITION OF  
UKRAINIAN NATIONAL ASSOCIATION, INC.  
PARSIPPANY, NEW JERSEY 07054**

**AT DECEMBER 31, 2008**

**NAIC COMPANY CODE 57215  
NAIC GROUP CODE 0000**

**FILED**

**June 21, 2010**

Commissioner  
Department of Banking & Insurance

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CHRIS CHRISTIE  
*Governor*



THOMAS B. CONSIDINE  
*Commissioner*

KIM GUADAGNO  
*Lt. Governor*

**State of New Jersey**  
**DEPARTMENT OF BANKING AND INSURANCE**  
**OFFICE OF SOLVENCY REGULATION**  
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May 7, 2010

Honorable Thomas B. Considine  
Commissioner of Banking and Insurance  
State of New Jersey  
20 West State Street  
Trenton, New Jersey 08625

Commissioner:

In accordance with the authority vested in you by the provisions of N.J.S.A. 17:44B-27, a financial condition examination has been made of the assets and liabilities, methods of conducting business and all other affairs of the:

**UKRAINIAN NATIONAL ASSOCIATION, INC.**  
**2200 ROUTE 10**  
**PARSIPPANY, NJ 07054**  
**N.A.I.C. COMPANY CODE 57215**  
**EXAMINATION WARRANT L&H-01**

a domestic fraternal benefit society authorized to transact business in the State of New Jersey, and hereinafter referred to in this report as "UNA," "Ukrainian National," "Society," or "Association."

## **SCOPE OF EXAMINATION**

The New Jersey Department of Banking and Insurance (hereafter "NJDOBI" or "Department") conducted a financial condition examination of the Association for the three-year period ending December 31, 2008, which included a review of material transactions and/or events occurring subsequent to the examination date.

During the period under examination, the Association's assets increased \$11,922,623 from \$64,875,557 to \$76,798,180; liabilities increased \$11,731,900 from \$60,612,234 to \$72,344,134 and total surplus increased \$190,724 from \$4,263,322 to \$4,454,046.

The conduct of the examination was governed by the procedures outlined in the National Association of Insurance Commissioners (NAIC) Financial Condition Examiners Handbook and followed accepted procedures of regulatory authorities and generally accepted insurance company examination standards. In determining emphasis to be placed on specific accounts, consideration was given to the Association's accounting methods and system of internal controls, the nature and size of each account, its relative importance to solvency and the annual audit work performed by the Association's certified public accountants for the period under examination.

Special emphasis was not utilized on any accounts. Standard emphasis, as defined in the NAIC Financial Condition Examiners Handbook, was used in several instances. The balance sheet accounts requiring standard emphasis were as follows:

- Bonds, Cash and Short-Term Investments
- Preferred and Common Stocks
- Mortgage and Contract Loans
- Aggregate Reserves
- Liability for Deposit Type Contracts
- Contract Claims - Life
- Premiums and Annuity Considerations
- Interest Maintenance and Asset Valuation Reserve
- Net Adjustments Due to Foreign Exchange Rates
- Other Expenses

The remaining balance sheet accounts were assigned either reduced emphasis or analytical review status. Additional areas reviewed were in part as follows:

- History and Kind of Business
- Management & Control
- Affiliated Companies
- Insurance Products and Related Services
- Fidelity Bond and Other Insurance Coverages
- Accounts and Records
- Continuity of Operations
- Reinsurance and Retention

This examination report is presented using the alternate format in accordance with the NAIC Financial Condition Examiners Handbook. This report will address significant balance sheet accounts and, if necessary, comments on those accounts which involve departures from laws, regulations or rules, or which are deemed to require special explanation or description.

## **COMPLIANCE WITH PRIOR EXAMINATION REPORT RECOMMENDATIONS**

The following is a summary of the Association's response to the recommendations of the previous examination report dated as of December 31, 2005:

### **I. Management & Control**

1. Corporate Records. It was recommended that the review of conflict of interest questionnaires be mentioned in the Executive Committee minutes.

Examination Review: The Association complied with this recommendation.

### **II. Continuity of Operations**

2. It was recommended that the Association continue to work on its business continuity and disaster recovery plans by conducting exercises or tests and document the outcome as appropriate.

Examination Review: The Association *did not fully comply* with this recommendation and this matter is again covered under the section heading '*Continuity of Operations*' of this report.

### **III. Notes to Financial Statements**

3. Bonds and Stocks. It was recommended that the Association amend its custodial agreement to include NAIC required safeguards.

Examination Review: The Association subsequently complied with this recommendation during the current examination period.

4. Contract Claims - Life. It was recommended that the Association continue to monitor its loss data and ensure that it is in agreement with the annual statement.

Examination Review: The Association complied with this recommendation.

## **HISTORY AND KINDS OF BUSINESS**

The Ukrainian National Association, Inc. was founded February 22, 1894, and officially approved April 21, 1898 under an Act of the Legislature of the State of New Jersey, entitled "An Act to Incorporate Associations Not for Pecuniary Profit." The original Certificate of Incorporation of the Association dated February 21, 1907 was filed in the office of the Secretary of the State on February 26, 1907. The Certificate of Incorporation was amended on June 2, 1998 to change the home office of the Association from Jersey City, New Jersey to Parsippany, New Jersey. The Association is a not for profit organization exempt from federal income taxes under Internal Revenue Code Section 501(c)(8).

The Certificate of Incorporation states the purposes and objectives of the Ukrainian National are to promote unity, social relations and to diffuse principles of benevolence and charity among Ukrainians. It further states it shall be the purpose and object of the corporation to provide a fund for relief of disabled and destitute members, their families and dependents, and to contract with members to pay funeral expenses, death benefits, endowment benefits, annuity benefits and such other forms of insurance benefits that are legal for a fraternal beneficiary association to issue.

The Association became a licensed insurer under the New Jersey Statutes when it was granted a "Certificate of Authority" by the Department on June 8, 1929.

On February 10, 1999, the Association's "Certificate of Compliance" was renewed by the Department certifying that the Association is duly authorized to transact the following classes of benefits as a fraternal benefit society:

The Society is authorized to provide in New Jersey, except in the form of group insurance, for the payment of death benefits; endowment benefits; annuity benefits; temporary or permanent disability benefits due to sickness or bodily infirmity or accident; and monument or tombstone benefits to the memory of deceased members not exceeding in any case the sum of \$5,000.

The home office of the Association is located at 2200 Route 10 Parsippany, New Jersey 07054. The registered agent upon whom process may be served is Christine Kozak, Secretary of Ukrainian National.

## **INSURANCE PRODUCTS AND RELATED SERVICES**

### **Territory and Plan of Operation**

Ukrainian National is authorized to transact business as a Fraternal Benefit Society in fifteen states and six Canadian Provinces. The Association writes a variety of life insurance products for its 37,837 members including whole life, term insurance, universal life, annuities and endowments, accident and health as well as mortgage loans. In addition to the financial service products offered, the Association provides other fraternal benefits to members. These benefits include publication of English and Ukrainian language newspapers and a resort located in the Catskills area of New York for use by the members at discounted rates.

The Certificates of Authority were reviewed at the Association's home office without exception.

In accordance with the requirements of the government of Canada, the Association maintains records for its Canadian affairs at the office of its Chief Agent Mr. Andrew Fynn, located at 90 Allstate Parkway, Suite 501, Markham, Ontario L3R 6H3, Canada.

The Association's long-term goal is to re-establish the Society as a market leader in quality, value-priced insurance products in the Ukrainian and Slavic communities. Marketing strategy, which is forecasted for three years, is focused in the sales of existing deferred annuity contracts as a lead-in product for other life products. The main strategic objectives are: (a) servicing of existing contracts with a continued emphasis on personalized customer service, (b) targeting of third generation Slavic-Americans who are experiencing a renewed interest in their cultural heritage, (d) reaching of non-Ukrainians through independent agents and recruitment of agents with experience dealing with small consumer markets, and (e) significant investment in advertising and marketing initiatives. The Association is also planning to expand business into one or more states following the introduction of a new product line, i.e., 20-year term policy.

The Association's main administrative office, headquartered in Parsippany, New Jersey, operates as a full service facility providing underwriting, claims, customer service and management functions. In producing business, the Association utilizes the services of licensed agents, consisting of a number of home office employees, branch secretaries and organizers at the Association's 169 branches. The Society continues to look to hire agents to ensure continued viability. Presently, the Association has ninety-seven (97) independent and four (4) directly employed agents used in the generation of new business.

UNA operates as a not for profit tax-exempt organization, and accordingly files the appropriate form 990 Return of "Organization Exempt From Income Tax" under the Internal Revenue Service Code Section 501(c)(8).

### **Policy Forms and Underwriting Practices**

Membership in the Association is contingent on the insurability of the applicant for at least the minimum amount of insurance offered. Applicants in good health may submit non-medical applications for the following maximum amounts of insurance.

\$100,000 to age 40  
50,000 to age 50  
10,000 to age 70

For children from age zero (Ø) to eighteen (18) the limit is set at \$100,000 for insurance without a medical examination.

Policy forms issued by the Association for the period under examination were reviewed and traced to filings and approvals with the Department.

### **Advertising and Sales Material**

The Association utilizes and maintains various forms of advertisements, which include weekly and daily news papers, leaflets, fliers and a web site. A test check of the various advertisements determined UNA to be in compliance with N.J.S.A. 17B:18-48.

### **Treatment of Policyholders**

A review of the Association's complaint log and written complaints for the examination period determined Ukrainian National to be in general compliance with N.J.S.A. 17B:29-4(10).

### **AFFILIATED COMPANIES**

The Association has 100% ownership interest in *Ukrainian Urban Renewal Corporation ("UNURC")*, a not for profit real estate development company, and *Soyuzivka UNA Estate, L.L.C. ("SUNAEL")*, a resort located in Kerhonskon, New York. On November 21, 2002, the resort filed to be a limited liability company with the State of New York, assuming its current name (formerly Soyuzivka Resort). The estate is valued at \$2,764,937 and is reported as a non-admitted asset in the Association's annual statement.

UNURC, the original owner of the commercial building that presently houses UNA's Home Office, had a lease agreement in place with the Association for payment of rent based on a rate of fourteen dollars (\$14) per square feet as well as fees for electricity. On June 4, 2007, the building was sold to *ABM Edison, L.L.C. ("ABM")*, a nonresidential building operator located in Parsippany, NJ. The lease agreement was modified on December 21, 2007, to allow the entry of the new proprietor and to reduce the square footage utilized by the Association from 17,705 to 11,573, while still retaining all of the remaining terms and conditions.

In February 1985, the Association formed the *Dmytro Halychyn UNA Housing, Inc. ("DHUNAH")* for the purpose of acquiring land adjacent to the UNA estate in Kerhonkson, New York on which houses or condominiums could be built for the benefit of UNA senior citizens. The Association received a first mortgage for the full purchase price of the land. This mortgage, in the amount of \$104,551, is reported as a non-admitted asset and netted against total outstanding loans in Schedule B-Part 1 in the Association's annual statement.

The Association is co-sponsor (partner) with Puertorriqueños Asociados for Community Organization, Inc. ("PACO") of *Paulus Hook Community Housing Corporation ("Paulus Hook")*, a non-profit housing corporation incorporated October 28, 1971. The Association has a sixty percent ownership in the Organization

represented by sixty shares of stock for which no consideration was paid. The stock is held in Trust by Stefan Kaczaraj, Roma Lisovich and Christine Kosak. Each of the individuals holds twenty shares.

Paulus Hook owns and operates a twenty-three story apartment building for low and moderate income families at 100 Montgomery Street, Jersey City, New Jersey. The building was erected on land acquired from the Jersey City Redevelopment Agency and was opened in February 1974. The Association did not report any value for this investment.

The Association owns forty membership equity shares of the *Ukrainian National Home of New York City, Inc. ("UNH")*. The shares were acquired on May 1, 1952, and were issued with a par value of twenty-five dollars a share and having an undetermined value. The Association did not report any value for this investment.

### **MANAGEMENT & CONTROL**

The Association was organized and has conducted business on the lodge system with ritualistic forms of work and a representative form of government. The present governing body consists of delegates from each subordinate assembly, which met the week of May 29, 2006 in Chicago, Illinois, for the purpose of continuing the business and fraternal affairs of the Association in accordance with the guidelines established in the official constitution and by-laws.

#### **General Assembly**

At December 31, 2008, the Association consisted of a general assembly of nineteen members, 170 subordinate lodges and members. The executive powers of the Association are vested in the General Assembly, except otherwise specifically provided in the by-laws along with power to implement the objectives of the Association by a majority vote. During the recess of the General Assembly, the Association maintains an Executive Committee of six members to manage the day-to-day operations. In addition, the Association maintains an Audit Committee comprised of three members whose duties shall be to audit the books and records and to inspect real and personal properties of the Association as often as it shall deem necessary but at least once a year.

The members with address and principal occupation elected to the General Assembly at the annual convention held on the week of May 29, 2006, and serving at December 31, 2008, were as follows:

<u>Name and Address</u>	<u>Principal Occupation</u>
Stefan Kaczaraj ** New York, NY 10001	President UNA
Christine E. Kozak ** Parsippany, NJ 07054	Secretary UNA
Roma Lisovich ** Parsippany, NJ 07054	Treasurer UNA
Zenon Holubec ** Parma, OH 44129	C.P.A. ZM Holubec CPA, Inc.
Michael Koziupa ** Parsippany, NJ 07054	Branch Manager Selfreliance Ukrainian American Federal Credit Union
Myron Groch ** Founthill, Canada	Retired



Olya N. Czerkas St. Petersburg, FL 33702	Teacher Rio Vista Elem. School
Nicholas Fil Latham, NY 12110	Retired
Gloria P. Horbaty Wallingford, CT 06492	Sales
Albert S. Kachowski Saskatoon, SK Canada	Retired
Bohoan Kukuruza Chicago, IL 60638	Sales Representative City of Chicago
Maya Lew New York, NY 10010	Staffing Coordinator Winston Staffing
Vasyl Luchkiw * New City, NY 10956	Retired ***
Eugene Oscislawski Flemington, NJ 08822	Process Operator/Engineer Amerada Hess Corporation
Lubov Streletsky Downingtown, PA 19335	Manager Medical Mavin, Ltd.
Myron Pylypiak Kent, WA 98031	Manager Ukrainian Self Reliant Michigan Federal Credit Union
Eugene M. Serba Mount Laurel, NJ 08054	Healthcare Administrator Orthopaedics at Woodbury
Wasyl Szeremata * Philadelphia, PA 19120	Physician
Gerald Tysiak * Albany, NY 12136	Audit Manager State of New York

\* Indicates Member of Audit Committee

\*\* Indicates Member of Executive Committee

\*\*\* Passed away subsequent to the examination date

## **Officers**

Per the stipulations of the by-laws, any member in good standing, over the age of 21, possessing the qualifications of a delegate as prescribed in the by-laws, shall be eligible for any office in the General Assembly. Employees of the UNA can only run for the full time paid executive positions; provided, however, that no person shall be eligible to any office of the Association, nor shall such person hold office, who believes in, advocates, teaches, or practices, or is a member of any organization or group that believes in, advocates or teaches the overthrow by force or violence or subversion of the government of which he is a citizen.

The following is a listing of officers elected and serving at December 31, 2008:

<u>Name</u>	<u>Office</u>
Stefan Kaczaraj	President
Zenon Holubec	First Vice President
Michael Koziupa	Second Vice President
Myron Groch	Director for Canada
Christine E. Kozak	National Secretary
Roma Lisovich	Treasurer

Four officers are necessary for the establishment of a quorum in all meetings held by the Executive Committee. The decisions of the quorum are valid only when they are passed unanimously. A review of the committee minutes applicable to the examination period indicated that officers held their regular meetings in accordance with the by-laws, for the purpose of transacting business. The minutes indicated that at least 5/6<sup>th</sup> of the membership attended all of the meetings at all times

For the three-year period under examination, the Association held eight (8) committee meetings, to include one Audit Committee meeting, key discussions of which were reviewed under the '*Corporate Records*' section below.

The Executive Committee location for all correspondence and meetings is the UNA home office, 2200 Route 10, Parsippany, New Jersey 07054.

### **Corporate Records**

A review of the minutes of the Executive Committee meetings indicated that transactions and events were adequately authorized and supported, in accordance with the provisions of the Association's by-laws. The Committee's review and approval of the previous examination report, key investment decisions, and other strategically relevant and important matters were duly noted and documented in its minutes. No changes were made to the by-laws during the examination period.

### **Policy on Conflicts of Interest**

The Association as part of its by-laws maintains a policy statement on conflicts of interest. Each year members of the Board, officers and key employees of the Association are required to complete a formal conflict of interest questionnaire, which requires the individual to disclose any act or affiliation that is likely to conflict with the individual's official duties.

A review of the conflict of interest questionnaires for the examination period did not disclose the existence of any conflicts or irregularities.

### **ACCOUNTS AND RECORDS**

UNA's records are maintained at the Association's home office located at 2200 Route 10, Parsippany, New Jersey. As of December 31, 2008, the Association utilized several of United Systems And Software, Inc.'s administrative systems applications, which included USS912 Life Administration System, USS906 Flexible Premium Annuity Feature and USS930 Interest Sensitive Life Administrative Feature all of which were designed to meet the administrative requirements of traditional life insurance companies.

The USS913 Life Administration System application is utilized by the Association to perform such administrative functions such as direct billing, premium collection, commission payment, general accounting, underwriting and preparing statutory filings.

USS906 Flexible Premium Annuity Feature application is designed to process an assortment of annuity plans with a single processing cycle supporting such products as single premium and flexible annuities. In general and in part, this system allows for the calculation of scheduled premiums, fund and surrender values, expense charges and commission payment amounts. This application integrates with the USS913 system.

USS930 Interest Sensitive Life Administrative Feature is designed to process an assortment of interest sensitive insurance plans within a single processing cycle supporting such products as universal life, interest sensitive whole life, and single premium interest sensitive products. Policies are processed on a periodic cycle to determine the cost of insurance, including riders, loading, interest earnings and current policy values. This application also integrates with the USS913 system.

The administrative system computes the reserves required for all policies. The system-generated reserves are then provided to and summarized by the Association's actuaries for quarterly and annual reporting purposes.

All of these programs are designed specifically to operate on the Associations IBM A/S 400 midrange platform hardware and to operate with the OS/400 Operating System, (OS/400).

### **EMPLOYEE WELFARE AND BENEFIT PLANS**

The review of the Association's employee handbook and other benefits information supporting and summarizing the UNA's various employee benefits indicated that the Society does maintain various benefits for its employees all of which are funded by the Association.

A summary of the various benefit coverages that are provided by the Association to its employees, once certain minimum applicable eligibility requirements are met, is listed below:

#### **Coverage/Benefit Type:**

Group Life Insurance, Accidental Death and Dismemberment  
Retirement Plan  
Self-Funded Medical Plans

The pension plan is a defined benefit plan and is administered by the Prudential Insurance Company of America. The pension plan is reviewed by an independent actuarial firm on an annual basis. The review of the actuarial report indicated the Association's pension plan was more than adequately funded.

Effective February 1, 2006, the Association acquired a small group health benefits policy from Horizon Blue Cross Blue Shield of New Jersey and the medical plan is no longer self-funded.

## **FIDELITY BOND AND OTHER INSURANCE COVERAGES**

The Association's insurance coverages as of December 31, 2008, were as follows:

<u>Coverage</u>	<u>Limits</u>	<u>Deductible</u>
<u>Financial Institution Bond</u>	\$1,000,000	\$100,000
Premises	1,000,000	100,000
Transit		100,000
Forgery or Alteration		100,000
Securities	1,000,000	100,000
 <u>Commercial General Liability</u>		
General Aggregate	1,000,000	
Products/Completed Operations	1,000,000	
Personal & Advertising Injury		
Per Occurrence		
Fire Damage (any one fire)	2,000,000	
Medical Expense (any one fire)	2,000,000	
	1,000,000	
 <u>Commercial Automobile Coverage</u>		
Hired and Non-Owned Auto Liability	1,000,000	
 <u>Umbrella Coverage</u>		
Excess Liability coverage	10,000,000	
Retained Limit	10,000	
 <u>Directors, Officers and Employment Liability</u>		
Aggregate Limit of Liability	4,000,000	
Employment Liability	4,000,000	50,000
Directors & Officers Liability	4,000,000	50,000
Outside Directorship Liability	4,000,000	25,000
 <u>Workers' Compensation</u>		
Bodily Injury by Accident-each accident	500,000	
Bodily Injury by Disease-each employee	500,000	
Bodily Injury by Disease-policy limit	500,000	

### Certified Acts of Terrorism Coverage

Any covered losses caused by "Certified Acts of Terrorism" will be reimbursed by the United States under a formula.

Calculation of suggested minimum amount of Fidelity Bond coverage as prescribed by the National Association of Insurance Commissioners indicated the amount of coverage maintained by the Association was adequate.

## **REINSURANCE**

At December 31, 2008, the Association had in effect an Excess of Loss Yearly Renewable term Reinsurance agreement with Swiss Re. The agreement provides coverage for \$100,000 excess of \$100,000 on life insurance issued in accordance with the Association's usual underwriting standards and requirements for individually selected risks and issued under any of the plans defined in the agreement as being Annual Renewable Term, Five Year Renewable and Convertible Term and Ten Year Renewable and Convertible Term.

Reinsurance under this agreement may include supplementary accidental death benefits. The agreement also provides for the Association to apply for facultative reinsurance for risks not otherwise covered on an automatic basis as well as on individual risk-by-risk basis when a risk is not eligible for automatic cession.

## **CONTINUITY OF OPERATIONS**

The Association has developed and maintained a formal comprehensive business continuity and disaster recovery plan for the purpose of continuing its business operations in the event of a natural or man made disaster. The Association's plan provides for the daily backup of computer programs and data files, which reside on its AS 400 system. Backup files, tapes and CDs are to be maintained in fireproof safe on-site as are inventory lists, documents, etc. Additional copies of back up tapes and CDs and documents are to be maintained off site in safety deposit box at a local bank.

UNA has an Emergency Response Team (ERT), which consists of Stefan Kaczaraj, ERT Chairman and President of UNA, Roma Lisovich, Treasurer of UNA, and Christine Kozak, Secretary of UNA who are empowered by the by-laws to have general charge and management of the affairs, funds and property of the Association.

In case of an emergency when UNA cannot use their primary place of business for an extended period of time, the ERT will lease and set up another business site. One of the alternatives is to contact USSI in Florida who has an access to UNA's system and can restore their files from backup files automatically. UNA then can connect to their AS400 system and operate remotely from a site in New Jersey.

A review of the information system was performed by Thomas Walker of the NJDOBI. This review determined that the Association's business continuity plan and disaster recovery plan for systems are not fully developed or documented. It is recommended that the Association continue to work on and strengthen its business continuity and disaster recovery plans, by conducting exercises or tests and documenting the outcome thereof, as appropriate.

## **ABANDONED PROPERTY**

As of the last examination, the Association established new unclaimed property procedures which states that the purpose is to established operating procedures to maintain and submit unclaimed properties including uncashed checks and dividends.

The accounts payable policies and procedures manual states that any unclaimed property issued by UNA, for which the owner has been sent correspondence annually, after three years, will be turned over to the applicable state in accordance with their regulations and prescribed instructions described in the established procedures.

## **FINANCIAL STATEMENTS**

Financial statements and other exhibits are presented as listed below:

- Exhibit - A      Statement of Financial Position  
                     as of December 31, 2005, and December 31, 2008
- Exhibit - B      Statement of Operating Results  
                     for the Three-Year Period ended December 31, 2008
- Exhibit - C      Capital and Surplus Account  
                     for the Three-Year Period ended December 31, 2008

# EXHIBIT A

## STATEMENT OF FINANCIAL POSITION AS OF DECEMBER 31, 2008

	<u>Balance</u> per Examination <u>@ 12/31/08</u>	<u>Balance</u> per Association <u>@ 12/31/08</u>	<u>Note</u>
<b><u>ASSETS</u></b>			
Bonds	\$ 67,971,385	\$ 67,971,385	
Stocks:			
Preferred	649,999	649,999	
Common	670,329	670,329	
Mortgage Loans on Real Estate	3,369,773	3,369,773	
Cash and Short-term Investments	2,837,171	2,837,171	
Contract Loans	239,433	239,433	
Investment Income Due and Accrued	956,307	956,307	
Agents' Balances in Course of Collection	54,626	54,626	
Electronic Data Processing Equipment	17,157	17,157	
Aggregate Writing-Ins for Other Than Invested Assets	32,000	32,000	
<b>Total Admitted Assets</b>	<b>\$ 76,798,180</b>	<b>\$ 76,798,180</b>	
<b>LIABILITIES</b>			
Aggregate Reserve for Life Certificates and Contracts	\$ 68,103,238	\$ 68,103,238	1
Aggregate Reserve for Accident and Health Contracts	15,734	15,734	1
Liability for Deposit-Type Contracts	411,348	411,348	1
Contract Claims-Life	630,561	630,561	
Premiums and Annuity Considerations	624,935	624,935	
Interest Maintenance Reserve	28,744	28,744	
Commissions to Fieldworkers	20,093	20,093	
General Expense	83,818	83,818	
Taxes, Licenses and Fees	144,466	144,466	
Unearned Investment Income	3,580	3,580	
Amounts Withheld or Retained by Society	5,670	5,670	
Net Adjustment in Assets and Liabilities			
due to Foreign Exchange Rates	933,364	933,364	
Asset Valuation Reserve	454,599	454,599	
Drafts Outstanding	1,377	1,377	
Aggregate Write-Ins for Liabilities	882,607	882,607	
<b>Total Liabilities</b>	<b>\$ 72,344,134</b>	<b>\$ 72,344,134</b>	
Unassigned Funds (surplus)	4,454,046	4,454,046	
<b>Total Liabilities, Capital and Surplus</b>	<b>\$ 76,798,180</b>	<b>\$ 76,798,180</b>	

## EXHIBIT B

### STATEMENT OF OPERATING RESULTS FOR THE THREE-YEAR PERIOD ENDED DECEMBER 31, 2008

	<u>2006</u>	<u>2007</u>	<u>2008</u>
<b><u>UNDERWRITING INCOME</u></b>			
Premiums and Annuity Considerations	\$ 2,382,325	\$ 4,317,786	\$ 12,741,403
Net Investment Income	3,051,933	3,474,334	4,008,704
Amortization of Interest Maintenance Reserve	19,555	12,408	11,153
Total	<u>5,453,813</u>	<u>7,804,528</u>	<u>16,761,260</u>
<b>Deductions:</b>			
Death Benefits	\$ 1,184,900	\$ 1,120,516	\$ 1,163,060
Matured Endowments	702,344	601,415	673,321
Annuity and Old Age Benefits	2,067,184	1,910,548	2,722,744
Surrender Benefits	375,880	490,961	447,905
Interest and Adjustments on Contract Funds	(16,618)	45,944	112,549
Payments on Supplementary Contracts with Life Contingencies	24,676	25,431	25,431
Increase in Aggregate Reserve for Life and Accident & Health Contracts	(249,641)	1,826,132	9,220,371
Total	<u>4,088,725</u>	<u>6,020,947</u>	<u>14,365,381</u>
<b>Commissions on Premiums &amp; Annuity Considerations</b>	<b>\$ 128,805</b>	<b>\$ 164,492</b>	<b>\$ 359,953</b>
General Insurance & Fraternal Expenses	2,929,657	2,666,468	2,691,063
Insurance Taxes, Licenses & Fees	159,240	141,212	131,906
Increase in Loading on Deferred & Uncollected Premiums	403	(342)	144
Aggregate Write-Ins for Deductions	53,344	68,807	(35,192)
Total	<u>7,360,174</u>	<u>9,061,584</u>	<u>17,513,255</u>
<b>Net Gain from Operations after Refunds to Members &amp; Before Realized Capital Gains</b>	<b>\$ (1,906,361)</b>	<b>\$ (1,257,056)</b>	<b>\$ (751,995)</b>
Net Realized Capital Gains or (Losses)	<u>3,642</u>	<u>51,458</u>	<u>75,148</u>
<b>Net Income</b>	<b><u><u>\$ (1,902,719)</u></u></b>	<b><u><u>\$ (1,205,598)</u></u></b>	<b><u><u>\$ (676,847)</u></u></b>



**EXHIBIT C****CAPITAL AND SURPLUS ACCOUNT  
FOR THE THREE-YEAR PERIOD ENDED DECEMBER 31, 2008**

	<u>2006</u>	<u>2007</u>	<u>2008</u>
Surplus, December 31, Previous Year	<u>\$ 4,263,322</u>	<u>\$ 2,851,629</u>	<u>\$ 6,772,505</u>
Net Income	(1,902,720)	(1,205,598)	(676,847)
Change in Net Unrealized Capital Gains or (Losses)	239,785	(130,833)	(537,068)
Change in Net Unrealized Foreign Exchange			
Capital Gains or (Losses)	(11,568)	684,870	(1,042,898)
Change in Non-admitted Assets	8,722	79,921	(100,597)
Change in Asset Valuation Reserve	(37,597)	69,940	38,951
Aggregate Write-Ins for Gains and Losses in Surplus	291,688	4,422,578	-0-
Total Adjustments	<u>\$ 491,028</u>	<u>\$ 5,126,474</u>	<u>\$ (1,641,613)</u>
Change in Surplus for the Year	\$ (1,411,692)	\$ 3,920,876	\$ (2,318,460)
Surplus, Decemebr 31, Current Year	<u><u>\$ 2,851,629</u></u>	<u><u>\$ 6,772,505</u></u>	<u><u>\$ 4,454,046</u></u>

## **NOTES TO THE FINANCIAL STATEMENTS**

### **Note 1 - Aggregate Reserves for Life Certificates and Contracts**

The Association reported a liability for Aggregate Reserve for Life Certificates and Contracts of \$68,103,238. The liability included reserves for Traditional Reserves Life Certificates of \$34,484,810, Universal Life of \$1,391,956, Annuities of \$31,691,956, Supplementary Contracts of \$145,649, Accidental Death Benefits of \$11,000 and Miscellaneous Reserves of \$378,527.

The reserve factors and assumptions utilized by the Association's actuary, Bruce and Bruce Company Consulting Actuaries of Lake Bluff, Illinois, were verified and accepted by the consulting actuaries of Deloitte Consulting LLP, contracted by the Department, and the actuaries of the Office of Life and Health of the NJDOBI.

Data supplied to the actuaries was verified by selecting separate samples for traditional life insurance, universal life insurance and annuities. Samples were traced to applications, policy files and other supporting documentation. In addition, transactions related to premiums received during the year and benefits paid were traced to source documents.

A review of the reserves was performed by the NJDOBI's Actuarial Unit and examined by contracting actuaries from Deloitte Consulting, LLP, who determined this liability to be adequate.

### **Aggregate Reserve for Accident and Health Contracts**

The Association reported a liability for Accident and Health Contracts of \$15,734. The liability included unearned premium reserves of \$6,418 and additional contract reserves of \$9,316.

A review of the reserves was performed by the NJDOBI's Actuarial Unit and further examined by contracting actuaries from Deloitte Consulting, LLP, who determined this liability to be adequate.

### **Liability for Deposit-Type Contracts**

The Association reported a liability for Deposit-Type Contracts of \$411,347. The liability included Supplemental Contracts of \$78,542 and Dividend Accumulations or Refunds of \$332,805.

A review of the reserves was performed by the NJDOBI's Actuarial Unit and were also examined by contracting actuaries of Deloitte Consulting, LLP, both determining this liability to be adequate.

## **SUMMARY OF RECOMMENDATIONS**

### **Compliance with Prior Examination Report Recommendations**

- p. 11** It is recommended that the Association continue to work on and strengthen its business continuity and disaster recovery plans, by conducting exercises or tests and documenting the outcome thereof, as appropriate.

## **CONCLUSION**

This statutory financial condition examination was conducted by the undersigned with the support of the Department's field and office staff, at the Association's home office located at 2200 Route 10 West, Parsippany, NJ 07054.

The courteous assistance and cooperation of the Association's officers, employees and certified public accounting firm is acknowledged.

Respectfully submitted,

/S/

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Allen L. Abbott  
Examiner-in-Charge  
Department of Banking and Insurance  
State of New Jersey

**UKRAINIAN NATIONAL ASSOCIATION, INC.**

I, Allen L. Abbott, do solemnly swear that the foregoing report of examination is hereby represented to be a full and true statement of the condition and affairs of the subject insurer as of December 31, 2008, to the best of my information, knowledge, and belief.

Respectfully submitted,

/S/

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Allen L. Abbott  
Insurance Examiner I  
Department of Banking and Insurance

State of New Jersey  
County of Mercer

Subscribed and sworn to before me, Allen L. Abbott, on this 26th day of May, 2010.

/S/\_\_\_\_\_  
Sheila M. Tkacs  
Notary Public of New Jersey

My commission expires: July, 2010